

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

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CEA-01 ITC-01 /087 W

-----161203Z 057706 /12

R 161059Z MAR 77

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 9515

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DEPT PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, GR

SUBJECT: EXIMBANK OFFICERS' VISIT TO GREECE

REF: ATHENS 2368

1. SUMMARY AND COMMENT: VISIT OF EXIMBANK TEAM SHROBE AND FEENEY TO ATHENS LAST WEEK PROVED USEFUL FOR EXPLAINING BANK'S CURRENT POLICIES AS WELL AS FOR INCREASING FAMILIARITY WITH GREEK CONDITIONS, BUSINESS METHODS, AND POTENTIAL FOR FUTURE FINANCING IN SUPPORT OF US EXPORTS. IN THE COURSE OF CALLS ON GOG OFFICIALS AND LOCAL BUSINESSMEN, EMBASSY AND TEAM GAINED THE IMPRESSION THAT, ALTHOUGH INTEREST IN EXIMBANK FINANCING CONTINUES, THERE IS A FEELING IN GREECE THAT EXIM IS NOT AS RESPONSIVE OR COMPETITIVE AS OTHER COUNTRIES' EXPORT CREDIT INSTITUTIONS (THE FRENCH WERE PARTICULARLY SINGLED OUT FOR LOW INTEREST RATES AND FLEXIBLE TERMS). AS GREEK TARIFFS WITH EC COUNTRIES ARE GRADUALLY DISMANTLED, U.S. EXPORTS AND FINANCING WILL HAVE TO BECOME MORE COMPETITIVE

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IN ORDER TO REVERSE A RECENT DECLINING TREND IN OUR EXPORTS TO GREECE. SINCE EXIMBANK PROGRAMS ALSO PLAY AN IMPORTANT ROLE IN THE CONTINUING EVOLUTION OF U.S. POLITICAL/ECONOMIC RELATIONS WITH GREECE FOLLOWING THE RESTORATION OF DEMOCRATIC GOVERNMENT, EMBASSY WELCOMES THE POSITIVE ATTITUDE EXPRESSED BY EXIMBANK TEAM. IN LIGHT OF THIS BACKGROUND, EMBASSY HOPES

THAT IMAGINATIVE WAYS CAN BE FOUND FOR EXIMBANK PROGRAMS TO TAKE ACCOUNT OF PECULIARITIES OF LOCAL BUSINESS PRACTICES AS WELL AS COMPETITION OFFERED BY OTHER EXPORT FINANCING INSTITUTIONS. WE RECOMMEND THAT THE POSITIVE MOMENTUM OF THIS VISIT BE MAINTAINED BY (A) PROMPT AND SYMPATHETIC CONSIDERATION BY EXIMBANK OF OUTSTANDING AND FUTURE APPLICATIONS FOR FINANCING AND (B) FOLLOWUP MISSION, PERHAPS IN THE FALL, TO CONTINUE PERSONAL CONTACTS WITH GREEK OFFICIALS AND BUSINESSMEN INTERESTED IN U.S. CAPITAL GOODS.  
END SUMMARY AND COMMENT.

2. SCHEDULE: IN THE COURSE OF THREE WORKING DAYS, EXIM TEAM MET WITH GOG OFFICIALS -- COORDINATION MINISTRY, BANK OF GREECE, HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA), AND HELLENIC INDUSTRIAL AND MINING INVESTMENT CO. (HIMIC); LOCAL PRIVATE BANKERS; AND REPRESENTATIVES OF PUBLIC CORPORATIONS AND PRIVATE BUSINESSES -- PUBLIC POWER CORPORATION (PPC), OLYMPIC AIRWAYS, AVRASSOGLOU S.A., TITAN CEMENT, IBM, GENERAL CEMENT, BAUXITES PARNASSES, EDOK-ETER AND SCAPANEUS.

3. BASIC THEMES: NOTWITHSTANDING TWO HIGH-LEVEL VISITS IN 1975 (CASEY AND TUTINO), DURING WHICH EXIM-BANK MANAGEMENT ANNOUNCED A POLICY OF INCREASING EXIM EXPOSURE IN GREECE, THERE HAS BEEN LITTLE UTILIZATION OF EXIM FINANCING. EVEN THE NIBID (NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT) CCF LINE, WHICH WAS ANNOUNCED WITH SOME FANFARE DURING THE TUTINO VISIT LIMITED OFFICIAL USE

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(SEE 75 ATHENS 8840), WAS NOT ACTIVATED AND PROBABLY NEVER WILL BE. NEW CFF REGULATIONS LIMITING TRANSACTIONS TO \$500,000 OR LESS WILL PROBABLY INSURE THAT THE ONLY ACTIVE CCF LINE IN GREECE (ETVA) IS ALSO NEVER USED.

4. IN THIS CONNECTION, IT IS WORTH NOTING THAT RECENTLY AN UNFAVORABLE TREND IN U.S. EXPORTS TO GREECE HAS APPEARED; IN 1975, THEY DECLINED BY TWO PERCENT IN VALUE AND DURING THE FIRST NINE MONTHS OF 1976 BY ANOTHER 4.4 PERCENT. DURING THE SAME PERIODS, RESPECTIVELY, EXPORTS FROM GERMANY ROSE TWO PERCENT AND 20 PERCENT; FROM ITALY 16 PERCENT AND 26 PERCENT; FROM FRANCE TWO PERCENT AND EIGHT PERCENT; AND FROM THE U.K. 14 PERCENT AND 18 PERCENT. THE U.S. SHARE OF THE MARKET HAS ALSO SLIPPED, FROM 9.4 PERCENT IN 1974 TO 7.4 PERCENT IN THE FIRST THREE QUARTERS OF 1976.

5. DISCUSSIONS WITH BANKERS AND BUSINESSMEN REVEALED THAT PROBLEM AREAS INVOLVED IN EXIMBANK FINANCING ARE ESSENTIALLY UNCHANGED; COMPETITIVENESS OF TERMS, BANK GUARANTEE AND SECURITY REQUIREMENTS, AND INFLEXIBILITY IN APPLICATION OF U.S. BUSINESS STANDARDS TO GREECE APPARENTLY LIMIT EXIM'S EFFECTIVENESS AS A TOOL TO PROMOTE U.S. EXPORTS HERE. THERE WAS GENERAL AGREEMENT THAT FOR DIRECT LOANS WITH MATURITIES OF SIX YEARS OR LESS, EXIM FINANCING CURRENTLY OFFERS NO COMPETITIVE ADVANTAGE OVER COMMERCIAL TERMS. CONSIDERING THE PAPERWORK REQUIRED, IT IS OFTEN EVEN LESS DESIRABLE. PPC, FOR EXAMPLE, HAS CONTRACTED A NUMBER OF EURODOLLAR LOANS ON QUITE FAVORABLE TERMS, WHICH ARE OF COURSE UNTIED.

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6. FOR LONGER TERM MATURITIES, WHERE COMMERCIAL FINANCING MAY BE UNAVAILABLE, EXIMBANK CAN OFFER A COMPETITIVE EDGE TO U.S. FIRMS. HOWEVER, EXIMBANK'S REQUIREMENTS FOR SECURITY ARRANGEMENTS WERE MENTIONED AS A STUMBLING BLOCK. BECAUSE MANY GREEK FIRMS ARE FAMILY CONCERNS AND THE GREEK CAPITAL MARKET IS NOT WELL DEVELOPED, A HIGH DEBT/EQUITY RATIO BY U.S. STANDARDS IS NOT UNUSUAL. BANK GUARANTEES REQUESTED BY EXIMBANK ARE EXPENSIVE (LOCAL BANKS CHARGE UP TO THREE PERCENT) AND BUREAUCRATICALLY UNWIELDY BECAUSE OF THE NATURE OF THE GREEK SYSTEM; MOREOVER, COMPETING EUROPEAN INSTITUTIONS ARE EVIDENTLY WILLING TO FOREGO SUCH PAPERWORK IN FAVOR OF A GENERAL ASSESSMENT OF GREEK BORROWER'S CREDITWORTHINESS. THEREFORE,

THESE REQUIREMENTS SEEM TO NEUTRALIZE ANY COMPETITIVE  
ADVANTAGE EXIM FINANCING MIGHT OTHERWISE HAVE.

7. MAJOR PROJECTS/DIRECT CREDITS: DURING THE TEAM'S  
CALLS, SEVERAL MAJOR PROJECTS WITH POTENTIAL  
EXIM DIRECT LOAN INVOLVEMENT WERE DISCUSSED. ETVA  
PLANS TO ASK FOR BIDS WITHIN THE YEAR ON A \$60-70 MILLION  
ASBESTOS PLANT AND A \$30 MILLION  
ELECTRONICS PLANT. PLANS FOR A \$70 MILLION  
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FORROMETAL PLANT IN COOPERATION WITH U.S. STEEL ARE AT  
A LESS ADVANCED STAGE, BUT ARE PROCEEDING. IN THE  
MEETING WITH HIMIC, THE TEAM WAS BRIEFED ON THE PROPOSED  
\$640 MILLION PETROCHEMICAL COMPLEX NEAR KAVALLA (SEE  
REFTTEL), AND ON THE STATUS OF A \$300 MILLION ALUMINA  
PROJECT IN COOPERATION WITH BAUXITES PARNASSE. THE  
LATTER HAS GOG APPROVAL, BUT WILL NOT GO AHEAD UNTIL FIRM  
MARKETS FOR THE ALUMINA ARE FOUND. PPC WILL BE INVITING  
TENDERS FOR BOTH THE SFIKIA HYDROELECTRIC UNITS AND  
A \$5-6 MILLION NUCLEAR POWER PLAN CONSULTING CONTRACT  
SOME TIME THIS YEAR; TENDERS FOR THE \$155 MILLION  
MEGALOPOLIS THERMAL POWER PLANT HAVE ALREADY BEEN  
SOLICITED (ATHENS 2243). IN ADDITION, BOTH GENERAL MOTORS AND  
GENERAL ELECTRIC HAVE APPLICATIONS PENDING WITH EXIMBANK  
FOR FINANCING LOCOMOTIVES FOR HELLENIC RAILWAYS.

8. SUPPLIERS' CREDIT INSURANCE: EXIMBANK'S SUPPLIERS'  
CREDIT INSURANCE PROGRAM DID NOT GENERATE GREAT  
INTEREST, PERHAPS BECAUSE OF CURRENT LIQUIDITY  
IN INTERNATIONAL FINANCIAL MARKETS. IN FACT,  
THERE WAS ONLY A \$5 MILLION NET CHANGE IN SUPPLIERS'  
CREDITS LAST YEAR, COMPARED WITH \$230 MILLION IN 1975.  
IMPORTERS MAY BE RELUCTANT TO MAKE LONGER-TERM CONTRACTS  
IN FOREIGN EXCHANGE BECAUSE OF THE DRACHMA'S WEAKNESS.  
HOWEVER, THERE IS POTENTIAL FOR EXPANDING INSURANCE COVERAGE  
WITH SEVERAL CURRENT CUSTOMERS, INCLUDING AVRASSOGLOU  
(HEAVY FARM MACHINERY), SCAPANEUS (CURRENTLY BIDDING  
ON A \$200 MILLION ROAD AND TUNNEL PROJECT IN IRAN WITH  
POSSIBILITY FOR \$10-15 MILLION IN U.S. EQUIPMENT), AND  
EDOK-ETER (HEAVY EQUIPMENT FOR MIDDLE EAST CONSTRUCTION  
PROJECTS). IF MONEY MARKETS BECOME TIGHTER, INTEREST  
IN THIS PROGRAM COULD INCREASE AND THE  
EMBASSY HOPES EXIMBANK WILL BE RESPONSIVE TO OPPORTUNITIES  
AS THEY ARISE.

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## Message Attributes

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